

# **Apollo Tyres Global R&D B.V.**

Enschede, the Netherlands

**ANNUAL REPORT AS PER MARCH 31, 2018**

# Apollo Tyres Global R&D B.V.

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# Apollo Tyres Global R&D B.V.

## DIRECTORS' REPORT

The Board of Directors herewith submits the Annual Report of Apollo Tyres Global R&D B.V. for the financial year ended March 31, 2018.

### The Company

Apollo Tyres Global R&D B.V. ("Company") is a 100% subsidiary of Apollo Tyres Coöperatief U.A. and ultimately held by Apollo Tyres Ltd, India, a listed multinational organisation and a global tyre manufacturer, headquartered in Gurgaon, India. Apollo Tyres Global R&D B.V. is based in Enschede, the Netherlands. The registered office address of the Company is Colosseum 2, 7521 PT Enschede, the Netherlands. The Company is responsible for all research and development activities related to Passenger and Light truck tyre technology of Apollo Group. Company is also involved with development & coordination activities of the other product categories like Truck & Bus Tyre, Agriculture tyre, Tyre for Bicycles etc. The developed products will be manufactured in India, the Netherlands and Hungary or at some outsourced locations.

### Financial Information

<i>All amounts in euro's</i>	<u>2017/2018</u>	<u>2016/2017</u>
Net revenues	32.714.154	30.337.095
Operating expenses	30.122.570	27.780.144
Net result after taxation	2.137.362	2.134.416
Net result as a % of net revenues	7%	7%

### Economic & Market Overview

The European economy has performed significantly better than expected in 2017, propelled by resilient private consumption, stronger growth around the world, and falling unemployment. Investment was also picking up amid favorable financing conditions and considerably brightened economic sentiment as uncertainty has faded.

The economies of all member states were expanding and their labour markets improving, but wages were rising only slowly. Although the cyclical recovery has now been underway for several quarters, it remains incomplete with for instance still significant slack in the labour market and low wage growth. GDP growth and inflation are therefore still dependent on policy support. The European Central Bank has kept its monetary policy very accommodative while some other central banks around the world have started raising interest rates. The European Commission underlines that the automotive industry is crucial for Europe's prosperity. The sector directly provides jobs for 12 million people in manufacturing, sales, maintenance and transport and accounts for 4 per cent of the EU's GDP.

In 2017 European demand for cars grew by 3.4% reaching more than 15 million new passenger vehicles registered, for the first time since 2007. Among the big markets, Italy (7.9%) and Spain (7.7%) recorded the strongest gains, followed by France (4.7%) and Germany (2.7%). By contrast, last year's demand for cars in the UK declined by 5.7% percent

### Operational Performance

Company has been developing products and technology to cater to a global market and focuses on the development of Passenger Car tyres and adaptive spoiler systems. Products developed here are manufactured and sold in several global regions including Europe, Asia and Americas. Its activities include Material science, Simulations technology, Design & Construction, CAE/FEA, Process development and Testing.

Development initiatives are focussed on following three main pillars:

- LRR (Low Rolling Resistance) to support market needs evolution and to guarantee product competitiveness for supplies to OEMs
- RFT (Run Flat Technology) and Self Sealing Tyre to expand product offer through Extended Mobility Solutions
- Foam Tyre to support automotive trend to reduce the vehicle interior tyre noise (e.g. for EV)

Innovation in raw materials is a key to support product performance. Our R&D efforts are focussed on new generation functionalized polymers, liquid polymers, special resins and special fillers to support premium performance in Summer, Winter and All Season tyres. With high focus on sustainability, development activities are running on alternative sources for Natural Rubber (e.g. Dandelion) and Carbon Black from recycled tyres

### Significant risks and uncertainties

Apollo Tyres Global R&D B.V. does not bear any significant business risks (such as credit, liquidity, market, legal risk) arising out of its activities, because the company is only responsible for R&D activities within the Apollo Group. It is responsible for the quality of work undertaken by it. This is ensured by providing proper test reports and related documents by the company when the project is completed. All other risks (of product

The R&D Company essentially acts as a limited risk bearing contract researcher for the principals and undertakes day-to-day activities of research. The R&D Company utilizes routine tangibles for the purpose of its activities.

All important risk controlling decisions such as the decision to hire or terminate the contract, defining the business objectives behind the research, finalizing the budget allocated for the research, assessment of the outcome of the research, etc. are taken by the principals. Also, all significant business risks are borne by the principals and all resulting intangibles are also owned by the principals.

The Company is not exposed to any significant foreign currency risk and hence the Company does not use complex financial instruments such as forward currency contracts. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

#### **Outlook**

The economic growth of 2017 is expected to continue in 2018 and 2019. Labour markets continue to improve. Inflation in the Euro Area is expected to remain at 1.5 per cent in 2018. Thanks to the improving EU labour market, unemployment is expected to continue to decrease in the years to come. However, political risks on a global and European level remain to be addressed. The risks that economic developments could turn out better or worse than forecast are broadly relating to elevated geopolitical tensions (e.g. Syria, Korean peninsula), possibly tighter financial conditions, the economic adjustment in China or the extension of protectionist policies. The automotive industry is living through its most significant change ever since the industrialization of manufacturing. The current revolution is driven by digitalization & electrification. The Brexit negotiations and a global trend towards more protectionist trade policies are still posing a serious threat to growth, according to the European Automobile Manufacturers Association (ACEA)

The outlook for Apollo Tyres Global R&D B.V. is largely positive. The main drivers for Company's growth will be:

- Readiness for supplies to key original equipment customers
- Substantial number of new product launches for the replacement market
- Further expansion of the Truck & Bus Radial (TBR) products across Europe
- Expansion of production capacity by the setup of a Greenfield plant in Hungary
- Launching an expansion into the North America

#### **Sustainability related information**

Having due regard to the company's current financial position together with its forecast results, cash flow and financial position in the coming year, the directors confirm that the company has the resources to continue in operational existence for the foreseeable future. Our aim is to meet the needs of our stakeholders in ways that are economically, environmentally and socially responsible.

#### **Developments after March 31, 2018**

No major post balance sheet events affecting the financial statements have occurred to date.

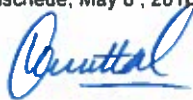
The Board would like to thank all employees, business partners, bankers, customers and other associates for their commitment and efforts in the past year.

#### **The Board of Directors**

V.K. Mittal

D. Lorenzetti

Enschede, May 8, 2018



# Apollo Tyres Global R&D B.V.

Balance Sheet as at March 31  
(In Euro, after appropriation of results)

	<u>Notes</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	3	51.164	40.302
Tangible fixed assets	4	<u>5.236.805</u>	<u>4.300.247</u>
		5.287.969	4.340.550
<b>CURRENT ASSETS</b>			
Receivables	5	12.165.964	7.333.836
Cash and cash equivalents	6	<u>84.329</u>	<u>454.017</u>
		<u>12.250.294</u>	<u>7.787.854</u>
		<u>17.538.262</u>	<u>12.128.403</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Issued capital	7	100	100
Share premium		1.900.436	1.900.436
Other reserves	8	<u>7.229.476</u>	<u>5.092.114</u>
		9.130.012	6.992.650
<b>PROVISIONS</b>	9	254.967	247.382
<b>LONG-TERM LIABILITIES</b>	10	3.917	10.721
<b>CURRENT LIABILITIES</b>	11	<u>8.149.366</u>	<u>4.877.650</u>
		<u>17.538.262</u>	<u>12.128.403</u>

# Apollo Tyres Global R&D B.V.

## Profit and Loss Account for the period from April 1 till March 31 (in Euro)

	<u>Notes</u>	<u>2017/2018</u>	<u>2016/2017</u>
<b>REVENUE</b>			
Net turnover	12	32.714.154	30.337.095
<b>OPERATING EXPENSES</b>			
Employee expenses	13	14.651.378	14.035.336
Amortization and depreciation	14	1.219.120	870.251
Other operating expenses	15	<u>14.252.072</u>	<u>12.874.557</u>
<b>TOTAL EXPENSES</b>		<u>30.122.570</u>	<u>27.780.144</u>
<b>NET RESULT BEFORE TAXATION</b>		2.591.584	2.556.951
Corporate income tax	16	<u>454.222</u>	<u>422.535</u>
<b>NET RESULT AFTER TAXATION</b>		<u>2.137.362</u>	<u>2.134.416</u>

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### 1. GENERAL

Apollo Tyres Global R&D B.V. is a Dutch private company with limited liability, incorporated on January 2, 2013 and has its statutory seat in Enschede, the Netherlands. The Company is registered in the trade register of the Dutch Chamber of Commerce with reference to registration number 55648118.

#### 1.1. CASHFLOW STATEMENT

A cash flow statement has not been prepared as permitted by Dutch Accounting Standard 360. The cash flow of the Company are reflected in the cash flow statement included in the consolidated financial statements of its (ultimate) parent company Apollo Tyres Ltd, India, which have been filed at the Chamber of Commerce in the Netherlands.

### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

#### (a) General

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention.

Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

#### (b) Changes in accounting policies

The changes in Title 9, Book 2 of the Dutch Civil Code with effect as from 1 January 2016 only impacts disclosure requirements and do not have any impact on equity and profit for the current and previous year.

#### (c) Foreign currencies

All assets and liabilities denominated in currencies other than Euro have been translated at the rates of exchange prevailing on balance sheet date. All transactions in foreign currencies have been translated into Euro at rates of exchange approximating those prevailing on the dates of the transactions. Unless otherwise indicated, any resulting exchange differences are included in the Profit and Loss Account.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### (d) Intangible fixed assets

Intangible fixed assets are valued at cost less accumulated amortization and, if applicable, less impairments in value. Amortization is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet.

### (e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is recognised from the date an asset comes into use. Land, assets under construction and spare parts are not depreciated.

### (f) Receivables

Receivables are stated at nominal value less a provision for indebtedness if necessary.

The Receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the fair value, after deduction of any provisions if necessary.

### (g) Cash and cash equivalents

Cash and cash equivalents are valued at nominal value. The cash at bank is at free disposal of the company.

### (h) Defined contribution plan Apollo Tyres Global R&D B.V.

At reporting date, employees of Apollo Tyres Global R&D B.V. participated in defined contribution pension plan. Under this pension plan, fixed contributions are paid to the pension fund. Apollo Tyres Global R&D B.V. has no legal or constructive obligation to pay further contribution if the pension fund does not hold sufficient assets to pay all employee benefits relating to employee service. Contributions that will not be settled within 12 months are discounted and recognized as liability.

### (i) Provisions

A provision is recognised when the company has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at nominal value.

### (j) Payables

The payables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary.



# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### (k) Principals for determination of result

The result is recognised as the difference between the operating revenue and all expenses which can be accrued to the year. The costs are determined in accordance with the accounting principles

### (l) Turnover

The net turnover consists of revenue charged to related parties (including an arms-length markup) for the reporting period net of discounts, rebates and value added taxes.

### (m) Amortization and depreciation

Amortization on intangible fixed assets is calculated by using a fixed rate on the acquisition costs or costs of conversion. The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost or cost of conversion.

Gains and losses on disposal of (in)tangible fixed assets are recorded under amortization / depreciation, gains only to the extent that the gain is not capitalised for replacement investments.

### (n) Taxation

Corporate income tax expense comprises current tax. Corporate income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in what case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### 3. INTANGIBLE FIXED ASSETS

The movements during the year under review can be detailed as follows:

	<u>Software</u>
Balance as at April 1, 2017	40.302
Investments	46.374
Desinvestments	--
Depreciation for the year	<u>(35.511)</u>
Balance as at March 31, 2018	<u>51.164</u>
Accumulated depreciation As at March 31, 2018	<u>(176.514)</u>
Depreciation rate	<u>33,3%</u>

### 4. TANGIBLE FIXED ASSETS

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Moulds	1.450.037	1.269.004
Equipment	3.416.135	2.492.380
Vehicles	5.350	10.701
Furniture & Fixture	63.309	250.837
Assets under construction	<u>301.974</u>	<u>277.325</u>
Balance as at March 31,	<u>5.236.805</u>	<u>4.300.247</u>

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

The movements during the year under review can be detailed as follows:

	<u>Moulds</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Furniture &amp; Fixture</u>	<u>Total</u>
Balance as at April 1, 2017	1.269.004	2.492.380	10.701	250.837	4.022.922
Investments	703.438	1.403.647	--	--	2.107.085
Desinvestments	--	(11.567)	--	--	(11.567)
Depreciation for the year	<u>(522.405)</u>	<u>(468.325)</u>	<u>(5.350)</u>	<u>(187.528)</u>	<u>(187.528)</u>
Balance as at March 31, 2018	<u>1.450.037</u>	<u>3.416.135</u>	<u>5.350</u>	<u>63.309</u>	<u>5.930.911</u>
Accumulated depreciation As at March 31, 2018	<u>(903.926)</u>	<u>(1.314.609)</u>	<u>(35.060)</u>	<u>(714.217)</u>	<u>(2.967.813)</u>
Depreciation rate	<u>25,0%</u>	<u>12,5%</u>	<u>25,0%</u>	<u>12,5%</u>	

### 5. RECEIVABLES

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Receivables from third parties	79.687	1.336.362
Receivables from group companies	10.790.461	4.582.689
Taxes and social security premiums	1.083.751	1.014.298
Prepayments and deposits	<u>212.064</u>	<u>400.487</u>
	<u>12.165.964</u>	<u>7.333.836</u>
<b><u>RECEIVABLES FROM GROUP COMPANIES</u></b>	<b><u>March 31, 2018</u></b>	<b><u>March 31, 2017</u></b>
Apollo Vredestein B.V.	7.808.025	3.199.529
Apollo Tyres Limited	1.248.645	855.294
Apollo Tyres (Hungary) Kft.	917.454	510.990
Apollo Tyres ATSA	12.094	12.094
Apollo Vredestein Tires Inc	799.461	
Apollo Tyres Do Brasil Ltda.	<u>4.783</u>	<u>4.783</u>
	<u>10.790.461</u>	<u>4.582.689</u>

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

<u>TAXES AND SOCIAL SECURITY PREMIUMS</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Value added tax	533.247	352.268
Wage tax	--	142.472
Corporate income tax	--	--
Withholding tax	550.504	519.559
	<u>1.083.751</u>	<u>1.014.298</u>

All receivables mentioned above are due within one year.

<u>6. CASH AND CASH EQUIVALENTS</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Cash and cash equivalents	84.329	454.017

## 7. EQUITY

The Company's share capital consists of one or more ordinary shares with a value of EUR 1.--.  
Issued and paid-up share-capital comprises 100 shares.

The movements in the year under review can be summarised as follows :

	<u>Issued share-capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Total</u>
Balance as at April 1, 2017	100	1.900.436	5.092.114	6.992.650
Opening balance adjustments	--	--	--	--
Dividend	--	--	--	--
Result for the year	--	--	2.137.362	2.137.362
Balance as at March 31, 2018	<u>100</u>	<u>1.900.436</u>	<u>7.229.476</u>	<u>9.130.012</u>

No dividend was distributed in the financial year 2017/2018

## 8. APPROPRIATION OF THE RESULT

The Board of Directors proposes to add the net profit for the year to the other reserves. This proposed allocation of result has been incorporated in the annual accounts, and is subject to the approval of the Annual General Meeting of Shareholders.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

<b>9. PROVISIONS</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Jubilee provision	113.827	112.333
FSP Provision	141.141	135.048
	<u>254.967</u>	<u>247.382</u>

### JUBILEE PROVISION

Apollo Tyres Global R&D B.V. has formed a provision for long-term obligations regarding jubilee payments, which employees have earned for their service in current and previous reporting periods. Employees receive payments when they reach an employment period of 12.5, 25 or 40 years. For the calculation of the provision a discount rate of 1.5% was considered.

The movements during the year under review can be detailed as follows:

	<b>Jubilee Provision</b>
Balance as at April 1, 2017	112.333
Movements in Jubilee benefits	1.494
Balance as at March 31, 2018	<u>113.827</u>

### FSP PROVISION

Apollo Tyres Global R&D B.V. has formed a provision for future reorganisations and restructuring. This funds is known as 'Stichting Fonds Financiering Sociaal Plan Werknemers Vredestein' (F.S.P.).

The movements during the year under review can be detailed as follows:

	<b>FSP Provision</b>
Balance as at April 1, 2017	135.048
Movement in FSP Provision	6.092
Balance as at March 31, 2018	<u>141.141</u>

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

10. LONG-TERM LIABILITIES	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Amounts owed to suppliers and commercial credits	3.917	10.721

### AMOUNTS OWED TO SUPPLIERS AND COMMERCIAL CREDITS

As at March 31, 2018, this item can be detailed as follows:

<u>Supplier</u>	<u>Maturity</u>	<u>Rate</u>	<u>CCY</u>	<u>EUR</u>
Hogeland Beheer B.V.	31-1-2019	5,00%	EUR	3.917

The loan supplied by Hogeland Beheer B.V. (landlord property Strootsweg 24, Enschede) consists of a contribution to the refurbishment of the property of EUR 30.000.

### 11. CURRENT LIABILITIES

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Trade payables	1.540.580	1.124.118
Liabilities to group companies	3.337.734	1.009.688
Taxes and social security premiums	1.383.879	916.659
Pensions	309.042	277.197
Other liabilities and accruals	1.578.131	1.549.988
	<u>8.149.366</u>	<u>4.877.650</u>

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b><u>LIABILITIES TO GROUP COMPANIES</u></b>		
Apollo Vredestein B.V.	387.717	192.918
Apollo Tyres Limited	936.309	(25.955)
Apollo Vredestein GmbH	27.913	19.208
Apollo Tyres (Germany) GmbH	1.491.587	589.161
Apollo Tyres Cooperatief U.A.	122.393	122.393
Apollo Vredestein Italia S.r.l.	–	15.519
Apollo Tyres (UK) PVT. Ltd.	232.186	42.545
Apollo Vredestein (UK) Ltd.	–	97
Apollo Vredestein Opony Polska Sp. z.o.o.	30.650	7.779
Apollo Vredestein Tyres Inc.	104.010	79.144
Apollo Tyres Thailand Ltd.	2.810	2.810
Apollo Tyres (Hungary) Kft.	–	(35.930)
Apollo Tyres Africa Pty Ltd	2.159	
	<b><u>3.337.734</u></b>	<b><u>1.009.688</u></b>
	–	
<b><u>TAXES AND SOCIAL SECURITY PREMIUMS</u></b>		
Wage tax and social security premiums	347.122	334.124
Corporate income tax	1.036.757	582.535
	<b><u>1.383.879</u></b>	<b><u>916.659</u></b>
	–	
<b><u>OTHER LIABILITIES AND ACCRUALS</u></b>		
Salaries	134.196	204.668
Holiday allowance	688.362	673.288
Accrued expenses	760.074	541.740
Other	(4.501)	130.291
	<b><u>1.578.131</u></b>	<b><u>1.549.988</u></b>

All current liabilities mentioned above are due within one year.

## 12. NET TURNOVER

The net turnover increased with 8% in 2017/2018 compared to 2016/2017.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### 13. EMPLOYEE EXPENSES

	<u>2017/2018</u>	<u>2016/2017</u>
Salaries	11.508.723	10.845.771
Pensions	882.768	787.812
Social security charges	1.372.596	1.457.766
Other personnel expenses	887.291	943.987
	<u>14.651.378</u>	<u>14.035.336</u>
Total average number of employees	<u>154</u>	<u>144</u>

### OTHER PERSONNEL EXPENSES

	<u>2017/2018</u>	<u>2016/2017</u>
Migration	235.034	218.352
Training/congress	74.484	226.149
Canteen	263.454	288.616
Other	314.319	210.870
	<u>887.291</u>	<u>943.987</u>

### 14. AMORTIZATION AND DEPRECIATION

	<u>2017/2018</u>	<u>2016/2017</u>
Intangible fixed assets	35.511	34.730
Tangible fixed assets	1.183.609	835.521
	<u>1.219.120</u>	<u>870.251</u>

### 15. OTHER OPERATING EXPENSES

	<u>2017/2018</u>	<u>2016/2017</u>
Testing	7.462.383	8.101.183
Rent	860.615	1.000.948
Other general expenses	5.929.074	3.772.427
	<u>14.252.072</u>	<u>12.874.557</u>



# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

<u>TESTING</u>	<u>2017/2018</u>	<u>2016/2017</u>
Testing materials	1.183.969	823.198
Test cars cost	479.898	720.396
Rent test tracks	1.236.654	1.616.902
Outsourced testing	4.035.326	4.465.959
Other	526.536	474.728
	<u>7.462.383</u>	<u>8.101.183</u>
<u>RENT</u>	<u>2017/2018</u>	<u>2016/2017</u>
Office rent	742.016	760.075
Other rent	118.599	240.872
	<u>860.615</u>	<u>1.000.948</u>
<u>OTHER GENERAL EXPENSES</u>	<u>2017/2018</u>	<u>2016/2017</u>
Professional fees/Patents	291.813	457.685
Office supplies	47.284	37.389
Postage	2.905	25.366
Telecommunication	40.448	38.527
Computer maintenance	523.409	442.029
Bank charges / Interest / FX results	(45.282)	2.610
Contributions	76.693	113.830
Travelling	1.063.238	1.411.525
Corporate cross charges	3.734.836	1.063.753
Other	193.732	179.711
	<u>5.929.074</u>	<u>3.772.427</u>

Our auditor, Grant Thornton Accountants & Adviseurs B.V. charged us relating the year 2017/2018 the agreed amount of € 11 k for audit services which are included in professional fees/patents expenses.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### 16. CORPORATE INCOME TAX

	<u>2017/2018</u>	<u>2016/2017</u>
Financial year	<u>454.222</u>	<u>422.535</u>

The Company is part of a fiscal unity with group companies. Tax charges are accounted for in the accounts of Apollo Tyres Coöperatief U.A.. Each member of the fiscal unity is severally liable for the Corporate Income Tax liability of the fiscal unity.

The effective tax rate is 17%.

### 17. CONTINGENT ASSETS AND LIABILITIES

#### RENT AGREEMENT AND GUARANTEE

The company has entered into a rental agreement for the location at Colosseum 2, Enschede for a period of 5 years, as of January 1, 2018 for a annual amount of EUR 395.790.--. As per March 31, 2018 an amount of EUR 330.490,- is due within 1 year.

The Company has provided a rent guarantee for the amount of EUR 122,393.-- towards Hanzevast Fonds 33 C.V., landlord of the office space at Colosseum 2, Enschede, being the amount for a three months' period of rent and service charges, including VAT.

The Company also entered into a rental agreement for the location Strootsweg 24, Enschede for a period of 5 years, as of February 1, 2014 for an annual amount of EUR 72.000. As per March 31, 2018 an amount of EUR 60.000 is due within 1 year.

#### CAR LEASING

The Company has entered into several lease agreements for company cars for a total amount of EUR 417.634 of which EUR 268.771 is due within 12 months and EUR 148.863 is due between 1 and 5 years.

#### OTHER COMMITMENTS

The company has entered into several long term agreements as part of their operational business activities for a total amount of EUR 5.232.411.--, of which EUR 1.141.211.-- is due within 12 months and EUR 4.091.200.-- is due between 1 and 5 years.

### 18. POST BALANCE SHEET EVENTS

No major post balance sheet events affecting the financial statements have occurred to date.

# Apollo Tyres Global R&D B.V.

## Notes to the Financial Statements (in Euro)

### 19. DIRECTORS

	<u>2017/2018</u>	<u>2016/2017</u>
Board of Directors' remuneration	<u>495.808</u>	<u>239.091</u>

During the year under review, the Company had 2 directors, of which one received a remuneration during the current or the previous financial year. The Company has no supervisory directors.

#### The Board of Directors,

V.K. Mittal



D. Lorenzetti



Enschede, May 8 , 2018

# Apollo Tyres Global R&D B.V.

## Other information

### **1. RESULT DISTRIBUTION ACCORDING TO ARTICLES OF ASSOCIATION**

According to article 22 of the Articles of Association, the other reserves are at the free disposal of the Annual General Meeting of Shareholders.

Furthermore, Dutch law prescribes that the General Meeting is authorized to allocate the profit made and to determine the distribution of it, unless the Articles of Association have indicated differently. Any profit distribution may only be made to the extent that the amount of equity exceeds the legal and statutory reserves and the resolution to distribute the profit has been approved by the managing board.

### **2. INDEPENDENT AUDITOR'S REPORT**

The independent auditor's report is stated on the following pages.

To: the shareholders and board of directors of  
Apollo Tyres Global R&D B.V.

**Grant Thornton**  
**Accountants en Adviseurs B.V.**  
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## **INDEPENDENT AUDITOR'S REPORT**

### **A. Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements for the year ended March 31, 2018 of Apollo Tyres Global R&D B.V., Enschede.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Apollo Tyres Global R&D B.V. as at March 31, 2018 and of its result for then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

1. the company balance sheet on March 31, 2018;
  2. the company profit and loss account for the year 2017-2018; and
- the notes comprising a summary of the accounting policies and other explanatory information.

#### **Basis for Our Opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Apollo Tyres Global R&D B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **B. Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information, that consists of:

- the management board's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## **C. Description of responsibilities regarding the financial statements**

### **Responsibilities of management and the supervisory board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.



# Grant Thornton

## **Our Responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. For further explanation on the nature and scope of an audit report and the VGBA please visit [https://www.nba.nl/globalassets/tools-en-voorbeelden/voorbeeldteksten-en-passages/Engels\\_nietoob\\_2016](https://www.nba.nl/globalassets/tools-en-voorbeelden/voorbeeldteksten-en-passages/Engels_nietoob_2016)

Amsterdam, 8 May 2018

Grant Thornton Accountants en Adviseurs B.V.

N.H.B. Jonker  
Registeraccountant

